THE NEW ECONOMY

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A PACIFIC CENTER FOR TRADE, COMMERCE AND TRAVEL

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INTRODUCTION

British Columbia's economy has traditionally been dominated by resource extraction and processing and is heavily reliant on foreign trade. The rich endowment of natural resources and their development as the backbone of the province's economy has meant that economic activity in all sectors is affected by developments in markets for forest products, mineral and energy resources. The provinces's small population alone cannot support local production of mass-producted consumer goods nor provide a market for the potential production of natural resource products. As a result, extensive trading relationships have been developed with the rest of the world for both sales of resources and importation of goods not produced locally.

The effects of the severe international recession of 1981-82 were particularly damaging to the resource industries of the province. Declining commodity prices and reduced demand for British Columbia's export products created a ripple effect through the entire economy. Corporate losses mounted and many operation shut down. Major cost cutting efforts were required to survive in business. Lay offs resulted as plants curtailed production and many thousands of jobs were permanently eliminated as plants were modernized to improve productivity.

There is now a recognition that the subsquent underlying structural, rather than cyclical, changes in the world economy will mean that it is no longer possible to rely for prosperity on sustained demand growth and strong prices for basic commodities.

While our traditional resource-producing and exporting industries will continue as the backbone of the provincial economy, the impetus for growth is coming from the large and varied service sector which today accounts for over 70 percent of provincial employment. (Ref.Figures 1 and 2).

The service industries have many direct and indirect links to the export sector. For example, although tourism is often thought of as a domestic industry, it earns substantial income from out-of-province customers and is therefore more accurately considered an export industry. A less obvious connection between service industries and foreign markets is the income generated from sales to trade-oriented, goods-producing industries. As Canada's gateway to the Pacific, British Columbia has a strong base of employment in its extensive transportation network, which in turn is closely tied to the trading activity of this and other provinces. Opportunities are also growing for the export of high value-added services based on the knowledge and expertise developed in the resource industries.

The result has been growth in small business activity in such areas as: high technology, value-added manufacturing, information-based industries, tourism, financial services, high value assembly, transportation and distribution.

FIGURE 1
OUTPUT

Goods Industries	Percent of Provincial GDP** 1977-82
Forestry*	11.4
Mining*	7.5
Other Primary*	3.9
Other Manufacturing	4.4
Construction	7.5
TOTAL	34.7

*includes related Manufacturing
**GDP, or Gross Domestic Product is the total value of goods and services producted in British Columbia. Latest detailed data available is for 1982.

Service Industries	Percent of Provincial GDP 1977-82
Utilities	3.8
Transportation, Communications and Storage	9.8
Wholesale and Retail Trade	11.8
Finance, Insurance and Real Estate	11.7
Community, Business and Personal Services	21.3
Public Administration	6.8
TOTAL	65.3

Source: Central Statistics Bureau

FIGURE 2
EMPLOYMENT

Goods Industries	Percent of Provincial Employment 1977-84
Agriculture	2.3
Forestry, Mining, Other Primary	4.4
Manufacturing*	14.4
Construction	6.6
TOTAL	27.7

*includes resource-related processing.

Service Industries	Percent of Provincial Employment 1977-84
Transportation, Communications and Utilities	10.0
Wholesale and Retail Trade	18.4
Finance, Insurance and Real Estate	6.0
Community, Business and Personal Services	31.1
Public Administration	6.8
TOTAL	72.3

Source: Central Statistics Bureau

PACIFIC CENTRE FOR TRADE, COMMERCE AND TRAVEL

THE STRATEGY

The strategy is designed to build on the natural advantages of the province by virtue of its Pacific Rim geography and orientation, its mature and efficient transportation infrastructure, its highly skilled and educated work force, its natural beauty and the international exposure of Expo. Vancouver and the Lower Mainland will form the hub for this new economic growth, as Canada's Western gateway and a principal center for Pacific Rim commerce, but the scope is province-wide, the spokes emanating from the hub — the goal to develop as a Pacific Center of Trade, Commerce and Travel;

The strategy is consistent with the recent cabinet statements on economic policy which placed reliance on private sector initiative and market competition and emphasized the need for strategies to maximize growth in the manufacturing and service sectors;

This is an integrated strategy built upon a series of interrelated initiatives in transportation, tourism, manufacturing and financial services;

The strategy is intended to provide a positive environment for developments in other related areas, such as education, labour management relations, cultural programs.

Since virtually every area of activity involves federal and provincial jurisidiction, it will be important to continue earlier initiatives and maintain a framework for future co-operative effort.

POLICY INITIATIVES

To realize this goal, governments must give priority to creating a climate which will recognize the significance of the service sector and will foster growth:

- a fresh approach to the Vancouver International Airport as the Pacific gateway and a regional economic generator will have benefits for tourism, international business and value-added manufacturing; other airport initiatives across this province can stimulate tourism and other economic activity;
- removal of a whole range of regulatory and taxation impediments in specialty-designated areas (S.E.Z.'s) can provide an environment for the establishment of new export-oriented manufacturing;
- the manufacturing, service and light industrial complex adjacent to the Lower Mainland ports can benefit through expanded air cargo services and, could provide a traffic base for future deep sea container terminal expansion;
- to create an international financial centre, a range of legislative and regulatory changes are required to attract international commerce;
- tourism will grow through better marketing, expanded air carrier services, new products, improved plant, and increased business travel.

AIRPORTS

Vancouver International Airport is an important international air service hub and a significant regional economic generator as the following statistics atest:

- served by 24 scheduled airlines (10 international and 6 transborder);
- 1984 6,900,000 passengers handled, forecast to increase to 11,800 by 2001;
- 1984, 100,000 tonnes of freight handled, forecast to increase to 250,000 tonnes by 2001;
- Revenues $59m, 1984, forecast to increase to $80m, 1986;
- O&M $37m, 1984, forecast to decrease to $35m, 1986;
- profit $22m, 1984, increased to $29m, 1985;
- approximately 1000 acres of airport reserve land available for compatible development;
- generates $1.3 billion annually in direct and indirect revenues;
- direct employment 15,000, indirect 30,000.

Recently the federal government released its *Task Force Report on the Future of Canadian Airport Management*. The report confirms Transport Canada's interest in the establishment of locally-based authorities to manage and control selected airports across the country.

The timing is ideal for the provincial government to seize this opportunity to gain control of this vital economic enterprise and make it a centerpiece in its plans for economic diversification.

Following the transfer of the Lower Mainland airports, federal and provincial governments should consider transfer of or targeted investment in airports across the province.

BRITISH COLUMBIA AIRPORT AUTHORITY

Concept

The concept is to create an Airport Authority to manage the Lower Mainland airport complex with the mandate, the corporate structure and the resources to realize Vancouver International Airport's potential as a vital gateway to North America and the Pacific Rim, much as Schipol, Amsterdam is to Europe.

Benefits

Many of the anticipated benefits of a new airport authority are linked to the other policy initiatives and include:

- expansion of routes, thereby attracting increased numbers of tourists and business travellers from more points of origin;
- improved and expanded air cargo services and facilities in support of growing manufacturing and service industries;
- "international shopping center served by airplanes" a concept which could enhance the marketing of British Columbia as an attractive tourist destination;
- locally-directed management will ensure a more coordinated marketing strategy linking Vancouver with destinations throughout the provincial "air highway system";
- expanded aviation activity and the development of a major center of commercial activity will mean eventually thousands of new permanent jobs in Vancouver and across the province.

AIRPORTS

Features

- New authority would have responsibility for all ground-side functions, while the federal government would retain responsibility for the national aviation regulatory system;
- Should be a Lower Mainland complex including Abbotsford, Langley, Pitt Meadows and Boundary Bay to ensure coordinated planning and operations;
- Would assume agressive marketing role, much as American airport authorities, in support of Canadian carriers in existing markets and in support of Canada's bilateral negotiations in attracting new carriers;
- Would undertake an ambitious land development program to encourage private investment to create an exciting center of commercial, retail, recreational and light industrial enterprise, compatible with the aviation industry;
- Would be well-positioned to compete with other airports on a timely basis through fee adjustments, additional services or capital improvements to terminal or airside support facilities;
- Would be able to take a more integrated approach to airport access and ground transportation planning and could establish a Skytrain link to the airport;
- Would have the flexibility to rationalize aviation activity amongst the airports in the Lower Mainland, increase cost effectiveness and efficiency at Vancouver International Airport and also provide attractive alternatives for general aviation.

AIR HIGHWAY SYSTEM

A second part of the airports initiative should focus on identification of airports across the province which have potential to generate or support tourism or other economic activity. The provincial government may wish to acquire certain selected airports or to make investments in infrastructure in concert with the federal government or the private sector to ensure that the air highway system is developed to world-class standards.

INDUSTRIAL LANDS AND PORT DEVELOPMENT

The Fraser River ports and the Inner Harbour, the Roberts Bank superport and its uplands, the Tsawasassen ferry terminal and the Vancouver International Airport on Lulu Island form a major transportation complex under various jurisdictions and serving many different functions.

While at this time it may not be possible to foresee the potential for future coordinated development, the provincial government can take some initiatives to capitalize on this mature transportation system to find developers and entrepreneurs to work with government to create new products, new industries and new jobs.

Through the provision of suitable industrial sites, the creation of Special Enterprise Zones, the establishment of small industrial container sites or the future development of deepsea container facilities, these initiatives are linked to the others within the policy framework and expected impacts include:

- as growth in containerized cargoes is experienced, existing rail, truck and port capacity can be more fully utilized and future container facilities contemplated as Roberts Bank;
- expanded air cargo services and facilities will foster export growth in the high value manufacturing sector;
- creation of a special environment for export oriented industries (S.E.Z.'s) would attract international investment which will, in turn be attracted by the range of international financial services available.

Recently provincial legislation was passed to allow for the creation of Special Enterprise Zones (S.E.Z.'s), which can be established anywhere in the province as a vehicle for encouraging new export manufacturing enterprise. Negotiation is required with other levels of government to make legislative and regulatory changes in such areas as duty and excise exemptions, tax reductions or holidays, and special labour designations. The government is committed to a successful conclusion to these discussions to enable S.E.Z's to be established.

Port Development

The provincial government has historically taken an active interest in the West coast ports as vital links in the transportation chain. The ports have traditionally played a key role in support of the Western Canadian resource sector and a much less visible role for the import and export of containerized and general cargoes.

As the service sector of the province expands and with if the flow of trade with the Pacific Rim in manufactured and processed goods, it will be important to ensure that facilities and services are in place to support this growth.

As the Port of Vancouver achieves greater significance as a major North American container gateway and existing container facilities reach capacity, it will be important to plan for new container facilities at Roberts Bank. The province wishes to play a meaningful role in that development and discussions will be held with port officials and the federal government to initiate that process.

INTERNATIONAL FINANCIAL CENTER

The provincial government and the business community have been active for some time in seeking ways to accelerate the growth in the international financial sector to capitalize on the natural advantages of Vancouver as a commercial center for Western Canada and the Pacific Rim. When the regulatory and legislative conditions are in place, it is expected that there will be significant growth in international financial transactions and other related activities such as the international commercial arbitration center, stock exchange reciprocity with overseas exchanges, specialization in Admiralty or Asian law.

These new international commercial services form an important part of the strategy and provide benefits which include:

- the establishment of a highly educated and specialized pool of professionals with expertise to support export oriented growth;
- a focus on British Columbia within the growing economies of the Pacific Rim for the attraction of new investment;
- the establishment of an attractive climate for international business, with spin off benefits in cultural, educational and tourism industries.

The provincial government welcomes the federal designation of Vancouver for special status to develop as an international financial center.

Amendments to federal legislation are expected soon and the province will continue working in cooperation with the federal government to see that all legislative changes at both levels of government are made to allow the early development of a full range of international financial services in Vancouver.

TOURISM

The success of Expo has surpassed all expectations and government and the tourist industry must be positioned to capitalize on the Expo legacy. The tourist industry is the third largest in the province and shows strong potential for growth:

- Tourism revenues — over $3 billion projected, 1986, increased from $2.4 billion, 1985
- Tourism — 5% of the Gross Domestic Product
- Employment — 1986 — 120,000 jobs
- Expo data, year to date:
  - — US resident entries, up 78% over 1985 (1 night or more)
  - — international visitors, up 45% over 1985
  - — tour buses, up 175% over 1985
  - — restaurant revenues, up 15% over 1985 (province-wide).

Preliminary research has indicated that significant numbers of first-time visitors plan a return to more fully explore the province and that the marketing effort has been particularly effective in the fourteen western states. The tourist industry is optimistic about the future and plans to work in cooperation with government to take advantage of post-Expo opportunities. Activities include agressive new marketing programs targeted on growth markets, coordinated regional marketing with industry associations, the development of new products and services such as cultural tourism, locally-based "pocket" cruises, native cultural destinations and a new approach to encourage investment in the tourism plant through the banking system.

The initiatives contemplated in the establishment of the province as a Pacific center for trade, commerce and travel will strengthen and enhance tourism:

- the Vancouver Airport Authority can be the catalyst for the expansion of routes of the Canadian carriers and, through support in bilateral negotiations, new carriers will be attracted;
- this expanded air access to tourist markets will be important to the growth of the Alaska cruise business and the trade show and convention business;
- business travel will be expanded through cooperative marketing by the airport authority and the carriers, and by the attraction of the financial and commercial services offered in Vancouver;
- all parts of the province will benefit from coordinated and targeted marketing programs, expanded air services, improvements to small airports and the potential for a locally-based "pocket" cruise business serving coastal communities.

ACTION PLAN

1 The provincial government has the resolve to build on the success of the Expo experience and launch a coordinated "team effort" under the leadership of Economic Development Minister, the Honourable Grace McCarthy to implement these initiatives.

2 Discussions with the federal government will continue and it is expected that a federal-provincial agreement will soon be concluded which will establish a framework for a coordinated effort to strengthen and reinforce British Columbia's natural evolution as a Pacific Center for Trade, Commerce and Tourism.

3 To enhance the efforts of government, to bring fresh ideas and other perspectives to bear, the province will invite the participation of the best minds in the community to work toward achieving these goals.

4 To take full advantages of the federal proposals for local management of airports outlined in the *Task Force Report on the Future Canadian Airport Management*, the provincial government will be seeking early agreement to begin discussions on the establishment of a new British Columbia Airport Authority.

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